

Message Text

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ORIGIN STR-03

INFO OCT-01 ISO-00 /004 R

66011
DRAFTED BY:STR:RLTEFFERAN:EBM
APPROVED BY:STR:RLHEFFERAN
----- 026134
R 090013Z JAN 76
FM SECSTATE WASHDC
TO USDEL MTN GENEVA

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FOL RPT TEGUCIGALPA 5399 ACTION SECSTATE INFO GUATEMALA
MANAGUA SAN JOSE SAN SALVADOR 18 DEC 75 QUOTE

LIMITED OFFICIAL USE TEGUCIGALPA 5399

GUATEMALA FOR ROCAP

E.O. 11652: N/A
TAGS: ETRD, MTN
SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: A) STATE 287116 B) STATE 276773

1. U.S.POSITION ON RECIPROCITY IN TROPICAL PRODUCTS CONTEXT
RAISED WITH ACTING MINISTER OF ECONOMY VICENTE DIAZ. HE NOTED
PRESENTATION AND STATED IT WOULD BE TAKEN UNDER STUDY. HE
WELCOMED THE OPPORTUNITY TO DISCUSS NEGOTIATIONS OF THIS NATURE.
LETTER FROM AMBASSADOR DENT ON THE SITUATION PRESENTED TO GOH.

2. IN GENERAL, GOH IS BOUND BY CENTRAL AMERICAN COMMON MARKET
(CACM) COMMITMENTS ON TARIFFS FOR A SIGNIFICANT RANGE OF HONDURAN
IMPORTS OF PRODUCTS PRODUCED REGIONALLY. IN THIS CONTEXT, U.S.
POSITION MIGHT BE TO SEEK LOWER REGIONAL TARIFFS, ESPECIALLY FOR
CACM PROTECTIVE LEVELS FOR INDUSTRIES WHICH HAVE BEEN WELL
ESTABLISHED THROUGH THE PAST DOZEN OR SO YEARS. SUCH AN EFFORT
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WOULD PROMOTE MTN OBJECTIVE OF GENERAL REDUCTION OF TARIFF

BARRIERS AND INSERT BENEFICIAL COMPETITIVE ELEMENT INTO CACM.

3. ANOTHER (POSSIBLY PARALLEL) APPROACH MIGHT HAVE BROADER APPLICABILITY, BUT IT SPECIFICALLY RELATES TO HONDURAS. WE SUGGEST THAT CONSIDERATION BE GIVEN TO PROPOSING THAT DEVELOPING COUNTRIES BIND THEMSELVES TO NOT RAISE EXPORT TAX LEVELS ON THOSE PRODUCTS RECEIVING U.S. TARIFF CONCESSIONS. OTHERWISE, COUNTRIES COULD EASILY RAISE EXPORT TAXES BY AN EQUIVALENT AMOUNT, THE END RESULT BEING THAT BENEFITS WOULD NOT ACCRUE TO EITHER THE U.S. CONSUMER (BY LOWER PURCHASE PRICES) OR TO THE LDC PRODUCER (BY HIGHER SALES PRICES). THE EFFECT WOULD CLEARLY BE A TRANSFER FROM THE U.S. TREASURY TO THE LDC TREASURY. WE BELIEVE THAT FOLLOWING THIS RECOMMENDATION WOULD ALLOW FULLER ACHIEVEMENT OF THE MTN OBJECTIVE OF OBTAINING ADVANTAGES THROUGH INCREASED TRADE AND PRODUCTION.

4. OUR RECOMMENDATION IS PROMPTED BY EXPERIENCES IN HONDURAS, WHERE THE GOH HAS RECENTLY IMPOSED EXPORT CHARGES ON BANANAS, COFFEE, MINERALS AND SOME OTHER AGRICULTURAL PRODUCTS. FURTHER, THE GOH IS STATE-TRADING ON LUMBER EXPORTS.

5. AN EMBASSY REVIEW OF THE HONDURAN TARIFF STRUCTURE DIRECTLY AFFECTING U.S. IMPORTS TO THIS COUNTRY WOULD INDICATE SPECIFIC ITEMS UPON WHICH RECIPROCAL REDUCTIONS MIGHT BE SOUGHT. THESE WOULD INCLUDE VEHICLE SPARE PARTS, SYNTHETIC FIBERS AND CLOTH, PLASTIC INTERMEDIATE AND FINISHED ARTICLES AND ELECTRICAL AND INDUSTRIAL MACHINERY. THIS LIST IS QUITE TENTATIVE AND HAS NOT BEE SUBJECT OF DISCUSSION BETWEEN EMBASSY AND GOH.

COMMENT: THE HONDURAN TARIFF STRUCTURE IS AN IMPORTANT SOURCE OF CENTRAL GOVERNMENT REVENUE. THE 1975 BUDGET ANTICIPATED 38.4 PERCENT OF TOTAL GOVERNMENT TAX REVENUES WOULD BE OBTAINED FROM EXPORT (22 PERCENT) AND IMPORT TAX RECEIPTS. THE UTILIZATION OF TARIFFS TO PROVIDE PROTECTION FOR IMPORT SUBSTITUTION IN THE CACM AND THE TREND, AT LEAST IN HONDURAS, TO INCREASE EXPORT TAXES MIGHT BE USEFULLY APPROACHED IN THE TROPICAL PRODUCTS RECIPROCITY CONTEXT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, TARIFF NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE005203
Document Source: CORE
Document Unique ID: 00
Drafter: STR:RLTEFFERAN:EBM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760007-0995
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760170/aaaacksy.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 287116, 75 STATE 276773
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2004 by SmithRJ>; APPROVED <13 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN: TROPICAL PRODUCTS NEGOTIATIONS
TAGS: ETRD, HO, MTN
To: MTN GENEVA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006